

A Discourse concerning BANKS.

AT this present time, when so much is thought to depend upon the well-modelling of a Bank in *England*, a short Account of Banks settled in other Parts, 'tis hoped, will not be unacceptable to the Publick. I am the more induced to give this Account, by the reading of a Paper lately come abroad, debating *the Reasons for and against Ingrafting*, full of Notions so directly opposite to what I ever heard or understood of Banks, that there is good Ground to believe, the Author having had a Share in the Management of the B. of E. and his Opinions having prevailed, hath been in a great measure the Cause of all the false Steps that have brought so excellent a Constitution under this present Disrepute. The great Mistake of this Gentleman, which leads him into all his other Errors, is; That a Bank ought to get; and therefore to admit of new Sharers in that imaginary Profit, is a manifest Self-denial. The best way to confute his Opinion, will be, to shew the Practice of other Banks, and thereby make it appear, that they have been very useful to the Publick, and wonderfully beneficial to themselves, without ever aiming at any other Advantage than that of circulating the Whole upon part of the Capital.

There are, in several Parts of *Europe*, about 30 Banks; they vary more or less in some part of their Constitution or Management; but they are chiefly of three sorts. Some are only for Safety and Conveniency; others are for the Benefit of the Income only; and others both for Safety and Conveniency, and likewise for Benefit and Advantage.

Of the first kind are the Banks of *Amsterdam*, *Rotter-*

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dam, Hamburg and Stockholm: These Banks have no Income, no Adventurers or Sharers in their Profits: They are only great Chests, for the Conveniency of transferring from one Account to another; and where Merchants deposite their Money, if they think it safer there than in their own Houses. In Places of great Traffick, such as *Amsterdam* and *Hamburg*, all foreign Bills of Exchange and other great Paiments, are, by Law, to be paid in Bank, unless both Parties agree it otherwise; but if one of the Parties insists, the Paiment must be made in Bank; else it would be very difficult for great Traders to deal for such vast Sums as they do in both those Places. These Banks are under the Care and Conduct of the Magistracy of the Places where they are erected: and as they never trade or meddle with any Business, there is very little Trouble in their Management; two or three of the Magistrates having an Eye upon the Servants and Books of Transfer, direct the whole Matter. The Banks of *Amsterdam* and *Hamburg* lend some small Sums upon Pawns, but the Sum they have liberty to lend is limited, and the Profit thereof accrues to the Benefit of the Town, which defrayeth the Charge of the Bank, and is answerable for all the Money lodg'd therein: So that these Banks are safe and secure, and serve only to avoid the Trouble of Telling: which Conveniency is found of so great Importance for carrying on a great Trade, that no considerable Trading-Town can well be without it.

The Banks of the second kind, that are for the Benefit of the Income only, are, the Banks of *Rome*, the Banks of *Bolonia* and *Milan*, and the Bank of *Paris*; (the Rents constituted on the Town-house of *Paris* being of the same nature as the Rents of the Banks of *Rome*, and some others in *Italy*.) These Banks are made up of a certain number of Men, who in time of War or other Exigencies of the State, advanced Sums of Money upon Funds, granted in

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perpetuum, but redeemable: Those concern'd therein content themselves with the Interest, else they sell their Stock, or part thereof, when they have occasion for the Principal. But these Banks keep no Cash, or ever have any Stock of Money: They are under the Management of some few Overseers, all equal in Dignity, that take care to divide the Revenue to the Proprietors; only the Bank of *Paris* hath the King for a Governour, who sometimes disposes of the Incomes at his pleasure, or stops part thereof for his own Use. These Banks are properly Funds of perpetual Interest, transferable and redeemable, and sute best with Places of little Traffick, where the gathering into one Place a great Mass of Treasure might endanger the Loss of it.

The third kind of Banks, that are both for the Convenience of the Publick, and for the Advantage of the Undertakers, are, the several Banks of *Naples*, one of the Banks of *Bolonia*, and the Bank of *St. George* at *Genoa*: These Banks did not only advance Sums of Money upon Funds of perpetual Interest, at the time of their Establishment, but by their being a safe Depository of Money, obtaining a Credit, they have been able to lend great Sums upon good Securities: Some of these Banks have been prosperous to that degree, as to enjoy their Revenue, upon their having in Stock only one fourth, one third, or one half of the Capital: And if I am rightly inform'd, one of them is so happy, that the Proprietors have the Benefit of the full Income, without having a Penny of their own in Stock; so great and so solid a Credit hath acquired to this Bank, the prudent and regular Conduct of its Directors. But none of all these Banks ever attempted to trade, much less concern'd themselves in Exchanges, which of all Trades is the most ticklish and dangerous: They arrived at that vast Credit, by keeping within Bounds, by lending upon undoubted Se-

curities, for a short time, and at a very low Interest. The Bank that hath the Benefit of its full Income without any Capital of their own, never exceeded the Rate of 4 *per cent.* their constant Practice is to take but 3 *per cent.* and sometimes upon a Security to their liking and entire Satisfaction, they have lent at 1 *per cent. per annum.* By such Methods, they are not only look'd upon as wise and judicious Managers, that do not venture too far upon Uncertainties; but by lending at these low Rates, they gain the Love of the People, and no body grudges them their Cash, when they see it us'd more for the Advantage of the Publick, than for the private Lucre of the Undertakers.

The Bank of *England* is of this mixt kind: It is squared both for Conveniency and Safety, and also for Benefit and Advantage: No Bank in the World ever was so happily constituted, no Bank hath so great a Revenue, settled upon so good a Fund, and so little paid for it. Had not its Managers aim'd at greater Gains than their Income, there had been no occasion to have call'd in more than the Subscription-Money, which was 25 *per cent.* Their first Deputy Governour Mr. M. G. often us'd to say, that he would never have call'd in for more, had he not design'd some further great Undertaking: I cannot tell whether those that have had the governing part since have acted by the same Spirit; but 'tis certain, that through a mistaken Notion of Banks, *which are design'd to help others to trade, but not to trade themselves,* they endeavour'd to get over and above their hundred thousand Pound a Year. Had they been contented with their Revenue, never in-croach'd upon other Mens Employments, by dealing in Exchanges, and importing and exporting Silver; nor coveted great Profits, by lending vast Sums, without a Prospect of being in a short time repaid; but made use of the Money that was trusted in their Hands, for the Re-

Relief of such as had occasion for it, upon very good Securities, and at a very low Interest; they had given more Satisfaction, and had the Cash of the whole Town; by which means, without adventuring at Sea, or running the hazard of bad Bills and of bad Correspondents, they might by a well-settled Credit, upon the first 25 *per Cent.* or upon 50 *per Cent.* at most, have circulated the whole; and so without any other Gain, might constantly have enjoy'd a Benefit of 16 if not of 32 *per Cent. per annum*; which is Profit enough to satisfy any moderate or reasonable Man. But if a Bank grounds its Advantages upon getting beyond its Income, such a Design will create Envy and Enemies, and the Hazards run in the Attempt of such Gains, render it less safe and secure, and consequently lessen its Credit.

The Case being thus, *viz.* That a Bank ought not by aiming at vast exorbitant Gains, to spoil its Credit; but on the contrary, ought by a judicious and cautious Conduct, to endeavour to maintain it so, as to circulate the whole on part of the Stock, and thereby instead of 8 *per Cent.* make 16 *per cent.* or more *per annum*: what Reason can any Member of the present B. of E. have (except such as desire to be perpetual Directors) to be against an Ingraftment? They ought rather to wish for an Addition of new Adventurers; for 'tis evident, the greater Income it hath, and the more Members there are, the better will it be able to support it self, and to circulate one hundred with fifty or less: which in my opinion is a surer way of Gain, and turns to better account, than to add 2 or 3 *per Cent.* to the 8 *per Cent.* for 20 or 30000 *l. per annum*: is as much, as those that are so fond of the Trade of a Bank are in hopes to get by their Management; and for the doing of which, they must run great Hazards, and disoblige an infinite number of People. But such is the natural Temper of some Men, that they had rather

rather get less, and have no Sharers in their Profits, than to get more, if others are also to reap a Benefit by it: whereas the principal Care of good Directors should be, how to get the good will of Mankind, as being the best, if not the only way to make a Bank great and flourishing. Therefore 'tis a question with me, whether a Bank ought to lend at any higher Interest than after the rate of 3 *per Cent. per annum*: This Limitation, and its being restrained from all Trade without exception, would secure to the B. of E. a firm and lasting Credit, and in time perhaps make it as successful as that Bank of *Bolonia*, which enjoys its Revenue intirely upon its Credit: for what cannot one expect from a Constitution so happily framed, which hath no means left to procure its own Good, but by procuring the good of others, that is supported by so many Thousands, as it will be after its Ingraftment; and which sets to it self a Rule, to study nothing so much, as the promoting the Ease, Conveniency, and Accommodation of all People?

I shall conclude with some few Remarks, *viz.* First; That no other Bank gives out Notes payable to the Bearer, they all keep to a Transfer, excepting the Bills payable to Order allow'd by their Settlement. Such as have a mind to place their Money in the Bank, must bring it thither, and there they have Credit given them for the Sums they bring: This preserves the Majesty of the Bank, prevents Cheats and Counterfeits, hinders inconsiderable Dealers from having to do with the Bank; which by this means keeps within a certain Compass of great Business, avoids Confusion and a great deal of unnecessary Trouble: Banks being indeed only for the Conveniency of great Payments, and not to keep the Cash of every petty Retailer; to do both is inconsistent, and not practicable where there is much Trade. In *Amsterdam*, there are a great many Cashiers who keep the small Cash of Merchants

chants and others, no Body being allow'd to transfer a lesser Sum than 300 Gilders or 30 *l.* in the Bank-Books, without a Penalty.

Secondly ; That no Bank, unless on some emergent occasion, ever paid Interest, except the B. of E. the Managers whereof drew upon themselves the great Inconveniency they lay under of paying so much Interest, by their Ambition of grasping at all ; therefore if nothing be undertaken for the future, but what is regular and according to the true Nature of a Bank, it needs not pay Interest, when 'tis once a float.

Thirdly ; A Bank must never presume upon its own Merit, or pretend to have done Services ; it becomes a Bank of all other Constitutions, to keep within the Bounds of Modesty ; it hath nothing of its own ; when it lends Money, 'tis other Peoples Money ; the Government is not oblig'd to the B. of E. for having lent it great Sums ; the Government is oblig'd to those Persons whose Money it was, and who now suffer for it : (altho some, who had the chief hand in lending the last 200000 *l.* when the E. of P. came over, claim a great Merit to their F—, whose Health for that Service was drunk as often, as the Health of John King of Poland, after his Raising the Siege of Vienna, if what they have exprest themselves may be believ'd.) If a Bank boasts of its Loans, it gives Offence to those who enabled it to lend, and consequently they will withdraw their Cash.

To sum up all, the Author of the Letter against Ingrafting did, as he saith, subscribe to the Bank, in hopes to get something besides the 8 *per Cent.* In order thereunto, the Bank did trade in Exchanges and Bullion ; it did run great Hazards both by Sea and Land ; it disoblig'd abundance of People, and drew upon it self the hatred of the Merchants ; and notwithstanding all this, it did not get the 2 or 3 *per Cent.* but lost its Credit and Reputation.

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The Author of this Discourse came also into the Bank, in hopes to make some Advantages of his Money, and for that purpose could have wisht the Bank had not meddled with any kind of Trade whatsoever, but had kept to the following Rules, *viz.*

To lend upon good Pawns at a very low Interest.

To discount Bills of Exchange at a very low Rate.

To take Tallies at *par*, that had a very short time to run.

By these Methods, the Bank had been serviceable to all Men; it had got wherewithal to defray its Charges; it had maintain'd its Credit and Reputation; in short, it had been able to divide the 100000 *l.* a Year upon 600000 *l.* Stock or less, which is 16 *per Cent.* at least *per annum.*

Now which of these two Methods is most proper for a Bank, and most conducive to its Advantage and Prosperity, is left to the Judgment of those, who shall please to consider of it.

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